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SOME IMPENDING NATIONAL PROBLEMS¹

Few will, I think, deny that the present war marks the close of one historical epoch and the beginning of another. It will probably always be of some interest in the annals of the University of Chicago that its Twenty-fifth Anniversary falls approximately at this dividing point in history.

The reconstruction of Europe will involve the solution of numerous complex and gigantic problems in which our country must necessarily figure and by which it is certain to be profoundly affected.

The problems which we Americans will have to face will not be altogether or even principally new. For the most part they will be old problems, though more acute and pressing than before. And even when the problems themselves are not more pressing, the world-war will have given us a new stimulus to solve them.

Today is a time of self-examination for us in America. The havoc of Europe has rudely disturbed our tranquil dreams of secure isolation and careless, irresponsible, trusting-to-luck. We are all asking ourselves whether our house does not need to be put in order and, if so, where and how. The general problem of preparedness confronts us. We are asking how best can we safeguard our life as a nation, the lives and wealth of our citizens, and our institutions. We are beginning to question the stability of many social conditions and arrangements which we had assumed as a matter of course to be indestructible. We are even asking if we are after all a united nation, or simply a heterogeneous collection of other nationalities and of discordant special interests.

Most of these questions have an economic side, although they are not exclusively economic; they are also political, racial, social, and even religious. It would be difficult, and it would also, I believe, be undesirable, to dissect out completely the economic elements for separate consideration. At any rate, when we attempt,

¹An address on the occasion of the Quarter-Centennial of the University of Chicago, June, 1916.

in practice, to solve any national problem we cannot confine ourselves to a single one of its many sides. I shall not, therefore, feel obliged to restrict myself wholly to economic considerations, but shall simply endeavor, from the standpoint of an economist, to lay before you some of the great impending national problems, as I see them.

First of all, there is the problem of future peace and war. Of the economic aspects of this problem, I shall mention only one, but that one is crucial. The basic economic condition from which war arises is international trade, and international trade leads to war in three ways.

In the first place, it is itself an apple of discord, a bone of contention, a prize for which the nations, whether advisedly or inadvisedly, do eagerly and selfishly strive.

In the second place, international trade, quite apart from being itself a prize to strive for, affords, incidentally, countless occasions for friction and disagreement.

In the third place, international trade leads to war by bringing nations within shorter military distance. Modern trade has caused inventions which increase speed in transportation and communication. These devices become immediately and necessarily available for army and navy mobilization, thus giving to a single hour as great strategic importance as a week possessed in former times.

We might almost call international commerce the mother of war. It is certainly a fertile cause. This thesis, that commerce causes conflict, is amply justified by recent history, but is in striking contrast with the predictions of the early economists. They believed devoutly that commerce would prevent war. Cobden, the great free trader, proclaimed this idea emphatically and enthusiastically. And yet it is easy to show that he was wrong both in theory and practice. International commerce is today four times what it was in Cobden's day, but the risk of war has not declined. On the contrary, it has grown greater at substantially the same pace. It is true that commerce makes the *need* for peace greater. But it makes the *probability* of peace less.

It does not require much observation to see that international commerce has been an important cause, if not *the* important cause,

of the present war, and in all three of the ways just stated. The Balkans were coveted by Russia as the gateway through which her foreign commerce should reach the open sea. Germany wished to prevent Russia from acquiring such a commercial outlet, but wished for herself a clear trade route to Bagdad and India. She also coveted Belgium for her commercial sea connections. France desired to regain Alsace and Lorraine, not simply for sentiment's sake, but also for the sake of their coal and iron. Japan and Germany had opposing commercial interests in China, and almost all of the warring nations had opposing commercial interests in Africa. "Commercial and colonial expansion," "the freedom of the seas," and "our place in the sun" are phrases standing largely, if not mainly, for economic interests, real or imaginary. These are some of the apples of discord, the bones of contention, the prizes to be seized.

Again, in striving for these prizes there have been incidental friction and irritation. So-called international "incidents" relating to or growing out of commercial contact have threatened war repeatedly. After the Algeciras incident, many on both sides believed war sooner or later inevitable. So also we ourselves have very nearly been drawn into the conflict (and may still be drawn in before it is finished) because of contact incidental to commercial intercourse. The "Lusitania" case and all the other cases over which we have had friction with Germany or the other powers obviously grew out of international commerce.

Finally, as none will deny, the shortening of international distances has led Germany and France, and all the rest, to set up larger and larger military and naval establishments. These have both led to war and given it its giant character.

In fact, the fundamental condition out of which this war grew was that the nations of the earth had become too close neighbors. As a consequence of being thrown so close to its neighbors each nation felt increasingly the necessity of defending itself against them. Each increasingly realized how continually closer the enemy was to her gates. And indeed, no one nation could afford to go defenseless when neighboring nations were only a few hours distant. Thus the railway, the steamship, the automobile, the telegraph,

the telephone, the wireless, by virtually removing the natural barriers between nations—mountains, oceans, and long distances—have necessarily and naturally led to the erection in place of these natural barriers, of artificial barriers, that is, fortifications, armaments, and navies. And the worst of it is, as fast as any one nation has increased its own military strength its neighbors have only the more strenuously increased theirs; whereupon the first nation was forced to a still further increase. The result has been a mad race in armaments and navies, which, in the end, has left the nations in substantially the same *relative* positions that they would have been in had there been no increase of armament whatever.

And yet the pacifists are quite wrong in thinking that any one nation could profitably keep out of such a race. To do so would not deter the others, but, on the contrary, give them the very chance they coveted to get ahead. The benefit from withdrawing from the race would accrue to those who remained in the race. And we cannot yet conceive of a nation acting against its own interests for the benefit of others. In short, when independent and rival nations are close neighbors they mutually compel each other to compete in armaments, although this competition, from the standpoint of the *common* good, is both futile and costly.

And after this war is over, what is to prevent a repetition of the same competition in armaments, culminating in war? England talks about crushing the militarism of Germany as though such a crushing would insure lasting peace. But even if Germany should be destroyed, were that possible, a similar rivalry in armament would inevitably spring up among the remaining nations. Moreover Germany, even if crushed, will surely rise again, just as Prussia did after Napoleon thought he had crushed her and definitely limited her standing army. In fact, the recent racing in armament which culminated in the present war really had its origin a century ago from the desire of Prussia to evade the restrictions on her military strength laid upon her by Napoleon. Crushing one nation will not solve the problem of competitive armaments.

And what of our own country? Can we ourselves afford to keep out of the competition? To me the answer seems as plain as the multiplication table. So long as the other nations compete

in armaments the United States must do so also. The advice of the extreme pacifists represents simply the survival of ideas of national defense which were entirely proper before we were near Europe, but are out of date today. We have become so used to thinking of the Atlantic Ocean as an almost impassable barrier that we can scarcely realize how near to Europe, and in fact to Asia, we have grown, and how rapidly.

Moreover, if we are looking forward to the future, we must take into account that inventions which abridge distance have not yet reached their limit. Already, I am credibly informed, an inventor has devised a new type of boat, a sort of skate or glider which has actually developed a speed of sixty miles an hour and is expected, before it is perfected, to attain seventy-five miles per hour! The friend who gave me this information naïvely remarked that this boat would probably, in another decade, be of great value to the navy of the United States. It did not seem to occur to him that, if so, it will also be of equal value to all the navies of the world, and therefore of no value to any of them. On the contrary, it will be a source of new naval burdens on all. It will bring our own nation within forty-eight hours of Europe and so destroy half the protective virtue of the Atlantic Ocean.

International racing in armaments is, in the political world, quite analogous to the "cut-throat" competition with which the economists are familiar in the business world. For instance, before the days of the Interstate Commerce Commission a trans-continental railroad was often forced into cut-throat competition with other parallel roads. As long as other roads competed, no one road could keep out of the competition. If it did, it would lose *all* of its traffic and be worse off than if it engaged in the competition and merely lost *some* of it. Yet the net result of railroad rate wars was always a loss to the railroads as a whole and usually to every individual competitor. The only cure for a rate war was a rate agreement or combination of some sort. As all economists know, our modern industrial combinations are largely the outgrowth of just such cut-throat competition and were established for the express purpose of remedying that evil. It is the natural and proper remedy. And it is the natural and proper remedy for

modern militarism and war. What is needed is an international political combination of some sort, such as a League to Enforce Peace. Without some such arrangement for action in the common interest, not only must America enter on a policy of preparedness, but it will also surely happen that the cost of international military competition will, in future generations, grow greater, not less, and wars more frequent and disastrous, not less. The United States is now too close to the rest of the world to continue to pursue a policy of isolation. *We must either compete with the rest or combine with the rest.* There are only these two horns of the dilemma. There is no middle course.

A consciousness of this dilemma seems to be appearing in Congress in the adoption of a recommendation by the House Committee on Naval Affairs authorizing the President to "invite all great governments of the world to send representatives to a conference, which shall be charged with the duty of suggesting an Organization, Court of Arbitration, or other bodies, to which questions between nations shall be referred for settlement, and to consider the question of disarmament and to submit their recommendations to their respective governments for approval." This is the resolution of Representative Hensley and has, I believe, a much more far-reaching significance than has as yet been appreciated. The time has come when the two alternative proposals, cut-throat competition or combination, should be put plainly before the people and the world. We should make it clear to all nations that as long as they engage in their mad race in naval and military power, the United States also will compete. We can stand such competition better than other nations because we are without the fearful handicaps which the war has brought to them. We thus have it in our power to bring home to the rest of the world the supreme folly from the standpoint of world-economy of armament racing, and so to prepare the minds of all for the only other alternative, which is infinitely better for all concerned. In this way by offering other nations *both* alternatives, we escape suspicion of designs of conquest, and at the same time put ourselves in a position almost to dictate a policy of peace. Certainly our counsels will be more attentively listened to if other nations realize that a

failure to listen to them will mean for them a more costly and more hopeless military competition than ever before.

It is noteworthy that, already, on the announcement that President Wilson was to advocate a policy of preparedness, speakers in the British House of Commons expressed great regret and stated that such a policy on our part would lay a grievous economic burden on all the nations of Europe in their endeavor to keep up with or ahead of us.

Only by agreement shall we reach disarmament. It was by agreement that Sweden and Norway avoided fortifying their boundary. The same was true as between Chile and the Argentine, and as between Canada and the United States.

The agreement as to Canada and the United States was made ninety-nine years ago but has endured uninterrupted to the present time. It reads in part as follows:

The naval force to be maintained upon the American lakes by His Majesty and the Government of the United States shall henceforth be confined to the following vessels:

On Lake Ontario, to one vessel not exceeding 100 tons burden and armed with one 18-pound cannon.

On the upper lakes, to two vessels not exceeding like burden each and armed with like force.

On the waters of Lake Champlain, to one vessel not exceeding like burden and armed with like force.

All other vessels on these lakes shall be forthwith dismantled, and no other vessels of war shall be there built or armed.

Now if President Monroe was able to make such an arrangement between Canada and the United States, which has saved untold millions of dollars to both nations, why cannot President Wilson, or his successor, whoever he may be, achieve a corresponding result, commensurable with the needs of the time?

The simple truth is, we cannot have international intercourse without international law. The real disease of Europe today, of which militarism is merely the symptom, is the hypertrophy of international commerce relatively to international law or government.

When international control has reached a sufficient stage of development, we may then be able virtually to have realized the

dream of economists for generations—universal free trade. And international commerce will then become, as Cobden expected it to become, a cause, not of international friction, but of international union.

I should add that, since the foregoing was written, President Wilson has delivered his famous speech before the League to Enforce Peace in which he has in substance taken the same position. This fact takes the proposal for an international agreement out of the academic realm into the realm of practical politics.

Next to the self-preservation of the nation is the self-preservation of its citizens. Turning then from foreign to domestic problems we have first of all the still unsolved problem of the conservation of our natural resources on which all our economic prosperity depends. The National Academy of Science has recently recognized, by a medal, the important services of Gifford Pinchot to his country in bringing conservation so prominently before our people. Unfortunately, since Congress, actuated apparently by petty spite against President Roosevelt and by virtue of the influence of special interests, allowed the National Conservation Commission to die of inanition, that is, of lack of funds, the conservation movement has not progressed much. As the novelty of the idea wore off, the National Conservation Congress lost its popular support and, though the fact is not yet generally realized, has recently been captured and controlled by some of the very special interests it was designed to oppose! I refer to the water-power interests. The university and all far-sighted citizens should endeavor to rescue and reconstitute this important movement, lest our children's children shall lack their proper heritage of wood, oil, copper, and other mineral deposits, be forced to pay monopoly rates for the use of water power after coal becomes scarce, and suffer a reduction in their numbers or in their individual standards of comfort because of a progressively impoverished soil. We all draw our nourishment from a little top layer of soil a few inches in thickness. Our farmers themselves, by wrong methods of plowing or by failure to make terraces or other safeguards against soil-wash, lose every year an appreciable fraction of this precious film of mother

earth and by ignorant or reckless methods of cropping, deplete it of its phosphorous, nitrogen, and potash.

But for every failure to conserve our natural resources there is in some measure an appropriate remedy. Before it is too late this remedy should be applied, and unless it is applied through the efforts of the government, it will be too late before it can be applied at all. At the present time we do not have more than half of the timber we once had, and another generation may see wood really scarce and dear. It has been estimated by some that our available supply of coal will be exhausted in one hundred and fifty years at the present rate of waste. This is doubtless too low an estimate, but the supply is limited, and consequently must be conserved to the greatest degree possible. Three-quarters of a century will see the end of our petroleum, even if we continue its use only at the present rate of consumption. Natural gas, it is believed, is within twenty-five years of exhaustion.

Rome seemed to be enjoying splendid prosperity as long as she was eating up the resources of her colonies. But there is a day of reckoning for any country which destroys the goose that lays the golden egg. To prevent this calamity we need in essence to apply whatever has not already been applied of the detailed program of the old Conservation Commission.

We have also allowed our natural resources to be monopolized, thereby immensely aggravating the problem of the control of wealth by large capitalists and large corporations. In fact, the basis of modern monopolistic advantage is largely to be found in the control of natural resources.

But our greatest national resource is "the human factor." Are we conserving our labor power, that is, our national vitality? Important efforts are certainly being put forth in this direction; and yet we may say that, in general, the problem is given but scant attention. Our very effort to increase what we call our productive efficiency is tending to impair it, in the end, by sacrificing the human factor to the mechanical factor. Our vital resources should be conserved, if for no other reason, simply to increase our power to secure wealth. They should also be conserved in order that we may have a "citizen soldiery" fit for the

national defense. But, most important of all, they should be conserved because it is only for the sake of the human factor that we produce wealth at all. If our industrial system stunts our children, cripples our men, and enervates our women, it becomes not man's servant but his tyrant. The examinations of the Life Extension Institute would tend to indicate that 99 per cent of our industrial population show some slight signs of physical decay, partly from wrong working conditions, partly from wrong standards of living. After many years' study of this problem of vital economy, I am convinced that human life can be extended enormously in length and, if I may so say, also in breadth and depth, if we will but apply the teachings of modern science. To do so will solve, not only a large part of our great economic problems, but also a large part of our political, social, and racial problems as well. If we do not attend to the human factor, we shall some day wake up to find that much of what we call progress is really retrogression in disguise.

The truth is that, at bottom, our most important economic problems are problems of human physiology.

For instance, the problem of the food supply—the basic problem of economics—is rooted in human physiology. One of the boasts of civilization is the abundance and variety of our food, and yet it is to this very abundance and variety that we must attribute a large number of the degenerative diseases which afflict the human organism. It is through this that our teeth become diseased and invite disease throughout the body, because our food is not hard enough to give them exercise. This is Nature's revenge for our attempt to grind our food by machinery instead of by our teeth. Mr. Hoffman, in his exhaustive treatise on the statistics of cancer, has established a strong presumption that this frightful malady is due in large part to what we have falsely regarded as a sign of economic strength, surfeiting the human animal with food, especially with meat and other highly nitrogenous foods.

Again, turning to the housing problem, we find another commentary on what we call progress. Civilization boasts of the economic advantages of houses. But as an offset to the good which houses have done, we have the dreadful scourge of tuberculosis, a

house disease, especially frequent where over-crowding and dark-roomed tenements abound. Many of our most devoted workers for the conservation of human life, like the late Dr. Sachs of Chicago, have applied themselves to this one problem which is incidental to what we call or miscall the "progress" of our large cities.

Again, economists have for generations boasted of the economy arising from the division of labor; but the division of labor has produced one-sided workmen, over-exercising some of their faculties and under-exercising others, and has deprived them in large measure of the normal satisfactions of life, including the satisfaction of the instinct of workmanship. This is for the simple reason that under the division of labor the workman's work becomes too impersonal and diffused for him to isolate his own part and to take pride in its accomplishment.

Again, man has invented numerous kinds of drugs; but these have proved in general a curse rather than a blessing. In particular, the habitual use of alcohol and morphine, including their use in so-called patent medicines, should be discontinued. This must be done largely by educating the public to a knowledge of modern scientific medicine. But it cannot be done completely without the application of force.

In spite of a strong original prejudice in favor of allowing wide individual liberty, I have come to the conclusion that legal prohibitions have an important place here. It is doubtful if the Chinese would ever have become emancipated from opium without compulsion brought to bear upon the individual, or whether Russia, except under pressure, would ever have become emancipated from alcohol. Although it is not yet generally known in this country, it would appear from the testimony of Ernest Gordon and Dr. A. Karlgren that prohibition in Russia has already wrought a miracle upon the Russian people physically, mentally, morally, and economically. The increase in the people's savings alone has amounted to one-sixth of the cost of the war to Russia. The amount deposited in 1915 in Russia in the state savings banks was twenty times that deposited in 1913. The loans made by pawnbrokers are said on good authority to have decreased one-half. To me the most telling result has been the added output of

labor since prohibition. We find the Russian Minister of Finance saying: "In the coal regions we have sent 30 per cent of the male inhabitants to the war and yet the output of work is greater by 30 per cent, because everyone is sober." He further adds, "Heads of large concerns employing labor have said they would pay in cold cash the sums necessary to cover the deficit in revenue, and could afford it easily from the larger incomes derived from the increased capacity of employees." Reports from the city of Petrograd state that whereas about 19,000 poor persons have annually been assisted by the city, that number is now reduced to about 2,000 a year.

The well-fed, well-clothed appearance of the peasants generally is noted by all visitors as well as inhabitants of Russia. The peasants themselves seem to realize the boon that has been conferred upon them. Gordon in his *Russian Prohibition* quotes one as saying, when a return to vodka was suggested: "No! It is better without it. We should have had prohibition before. Had there been no vodka from the time of the Liberation [of the serfs] we should have lived like lords long ago."

With our present knowledge coming from our university laboratories as to the harmful effects of alcohol on all organic cells and the rapidly growing sentiment to deal drastically with this evil, we are evidently fast getting ready for national prohibition, and, for my part, I shall be glad when it comes. If educated people will emancipate themselves from ancient fallacies on the subject and abide by the indubitable findings of science, we may make prohibition almost as effective as Russia has made it, and if we do we shall see a rapid and immediate response in the form of a diminution of poverty and its accompaniments, vice and crime.

In my opinion, the economists have made a mistake in ignoring the practical problems of consumption. In a money-balance sheet we must, it is true, inventory our distilleries as we inventory our factories or our schools, but we should not be satisfied with a mere money inventory. The real economic problems are the problems which have to do with welfare, and we must judge the true gain or loss accruing to humanity from any agency according to the effect of that agency on our welfare. Wealth which produces

poverty is not wealth. Much of what we call wealth and traffic in wealth in the United States should be classed with the old opium traffic or the white slave traffic as predatory, not constructive, impoverishing, not enriching the people.

Another and equally important measure for improving our national vitality is health insurance for working men. A committee of the American Association for Labor Legislation has worked out a well-considered plan for health insurance, combining the best features of the systems of the nations of Europe, several of which have put us to shame by applying this principle of social insurance long before we have even seriously considered it. The value of health insurance lies not simply in the insurance principle of indemnification against loss. It lies even more in the preventive principle, in stimulating employers, employees, and the state, among which three parties the expense is divided, to study and apply health-producing devices. The effect will be to reduce disease, just as the effect of workmen's compensation laws has been to reduce accidents.

Another important measure for the future is the creation of a National Department of Health, on which I have said much elsewhere. These and other well-chosen forms of social legislation, by lessening disease and disability, will lessen vice, crime, and poverty.

This brings us to the outer fringe of that great and baffling economic problem, the problem of the distribution of wealth, the problem of the rich and the poor. Various analyses, especially those of Professor King of the University of Wisconsin, show that something like two-thirds of our population have no capital except the clothes on their backs and a little furniture and personal belongings, while the major part of our capital is owned by less than 2 per cent of the population. In respect to income, the situation is, of course, not so bad. We may say that about half of our national income is received by one-fourth of our population, the other half being distributed among the other three-fourths. There is evidence to show that this inequality of wealth is increasing and that it is greater in the cities than in the country. Still more distressing is the fact that, in recent years, the income of the

poor, the average wages of the country (reckoned in commodities, not money) has not quite held its own, but has slightly decreased.

Up to about 1890, it could be said that the wage-earner had not only shared in the increased prosperity of the country, but that he had gained ground faster than his employer. Between 1890 and 1900 both gained, the employer somewhat faster than the employee. But thus far in the present century the employer has continued to gain while the employee has remained substantially stationary.

Such a progressive change for the worse is a matter of grave concern, especially in a democracy. Can we remain a democracy in theory without remaining a democracy in fact? It must not be overlooked that we adopted the democratic theory of government chiefly because, when we adopted it, we were really democratic in fact. As long as there was an abundance of land we could approximately realize the eighteenth-century philosophy of liberty, equality, fraternity. Abundance of land makes for independence of spirit, for the simple reason that it affords a safety valve or means of escape for anyone who is, or thinks himself, oppressed. If a servant or employee did not like the treatment he received at the hands of his master or employer, he could until recently, "go west" and take up a farm. Consequently the master or employer, whether naturally considerate or not, was forced to be so. Otherwise he would have no employees.

Undoubtedly the most democratizing influence in history was the discovery of America, by which a new continent was added to the available land supply of mankind. It has been such addition to the land area of Europe as was brought about by the opening up of North and South America, of Australia and Africa, that, through four centuries, has, step by step, advanced the democratic ideal until now even China and Russia have felt the reflex effect. It has been our boast that we, in America, have realized this ideal more perfectly than any other nation in history. Certainly we are engaged in the greatest of historical experiments, the noble experiment of a government of the people, by the people, and for the people. But, unfortunately, we cannot yet boast of a really

efficient democracy. Shall we succeed in making it efficient in the face of a reversal of those conditions which gave rise to democracy?

Today the lackey of Fifth Avenue or the factory worker of Pittsburgh has so slight a chance of successfully escaping to a western farm of his own, that it does not enter into his calculations. Whatever his lot is or the indignities he may receive, he must "grin and bear it", or, at any rate, bear it. The situation is complicated by the fact that, besides the concentration of wealth that is slowly going on, there has been also a concentration of control, which has been proceeding by leaps and bounds. The device of the corporation, facilitated by modern easy and rapid transportation and communication, has made possible aggregations of capital never dreamed of by the founders of this republic. A handful of men in our great financial centers now controls, if the truth were known, a large part, if not the larger part, of the capital of the country. In short, we are fast developing into an economic plutocracy and our problem, in a nutshell, is, *Can we maintain an economic plutocracy side by side with a political democracy?*

Lincoln asked, half a century ago, whether this country could exist half-slave and half-free, and we may in another half-century have to ask, can it exist with a small minority rich and a large majority poor? With the economic ownership concentrated so largely in 2 per cent of us and economic control in a fraction of 1 per cent, while the political power is diffused and therefore chiefly in the hands of the poor, it is clear that we have an unstable condition. It is, in fact, largely out of this anomaly that our corruption in politics proceeds. The politician is a sort of unscrupulous broker between these two great powers. He contrives, directly or indirectly, to get graft from the plutocracy, while using what is necessary of this graft for securing, by fair means or foul, the votes of the democracy.

The plutocrat does not, of course, usually deal directly with the poor voter but with the politician, nor are his expenditures all corrupt; but the fact remains that he uses his wealth to secure for himself special privileges. That is, the money which he expends for these objects is expended with the purpose of inducing the ordinary voter to vote in such a way as will bring special privileges

to himself. The great body of the voters on the other hand aims to use its power to shift the burden of taxation through the income tax or otherwise, upon the upper 1 per cent. In short, these two great powers, the economic and the political, are fighting for supremacy, although neither is distinctly conscious of the situation.

In ancient times we have usually found economic power and political power both concentrated in the same hands, as it is still in Russia, for instance. That was a fairly stable condition. On the other hand, our country, a hundred years ago, had a diffusion of economic power as well as of political power. This also was a stable condition. Is the unstable condition of today in which the economic power is concentrated while the political power is diffused merely a transition stage in a big swing of the pendulum back to a government by a plutocracy? This I conceive to be the most serious economic and political question which America will have to face in the twentieth century. All of us who have it at heart to fulfil the wish of Abraham Lincoln, "that government of the people, by the people, for the people, shall not perish from the earth" should be setting ourselves about this task.

But if the solution is not to be found in the establishment of a political plutocracy, is it to be found in the opposite pole of socialism?

The problem is far too vast for me upon this occasion to more than touch its outer edges. I shall content myself with noting three among the various partial remedies which seem available.

In the first place, there is some reassurance in the fact that the absolute loss which the wage-earner has suffered during the last decade and a half has been due, not to fundamental scarcities, but to a shrinkage in our monetary yardstick. When prices rise, wages usually fail to rise as fast as they should in order to restore the balance. This means that in the last fifteen years the workman has lost through the depreciation of the dollar. I have written so much on this subject elsewhere that I will pass it over here. Suffice it therefore to say that, just as the customer at a grocery may unconsciously lose because of short weight or measure, so all purchasers may be losers through what may be called a shrinking dollar; and, just as standard weights and measures are necessary

to preserve justice in trading, so a standardizing of the dollar is necessary for the just settlement of all contracts and for preventing an otherwise inevitable disturbance in the distribution of wealth. I have shown to the satisfaction of myself at least and, I may add, to the satisfaction of many others well fitted to judge, that this problem can be solved, and without abandoning gold as the redemption-basis. Unfortunately, the necessity or even desirability of any solution is not as yet generally conceded. It is to be expected, however, that, in the period of reconstruction following this war, the subject of monetary standards will come up in many of its phases.

A second controllable factor in the distribution of wealth is immigration. The immigration problem, of late years, has grown into something quite different from what it was a generation ago. After the present war it seems likely to become even more different from what we have known it to be in the past. As long as there was plenty of land, immigration benefited those already here, as much as it benefited the immigrant coming here. Again, as long as immigration was difficult and expensive and, therefore, small in volume, the body of immigrants was easily assimilated and could not demoralize our standards of living. But today immigration is so vast, so heterogeneous, and so cheap, while our remaining unused land supply is so small, that it aggravates our political and economic problems in an extreme degree. The melting-pot is getting choked. The result is not an amalgam but a heterogeneous mass. The important result will be an improvement in the condition of the immigrant but a degradation in the condition of the majority of Americans. I should be the last to preach a policy of mere national selfishness; but if, as is not so far from the truth, unrestricted immigration means progressive impoverishment of the American laborer, I should consider it tantamount to national suicide. I am disposed to believe that, even from the standpoint of benefiting humanity as a whole, quite irrespective of our own national point of view, America will accomplish more by maintaining her high standards of living than by accepting the low standards of other countries. I, therefore, think, though with great regret, that by a policy of restricting immigration by exclu-

sion of those unfit to become American citizens, physically, mentally, or morally, or in ideas, intelligence, or education, we shall help solve some of our great problems, including that of the distribution of wealth.

A third controllable factor in the distribution of wealth is inheritance. It is far more important to level up from the bottom than to level down from the top and yet, in a democracy, it is important that the top should not be allowed to separate itself from democracy to form a self-appointed aristocracy.

The real menace from great wealth to democratic ideals has scarcely yet made its appearance in this country. This is the danger of an *hereditary* plutocracy. Americans still admire the self-made man and, unless they believe that he has won his wealth dishonestly, dislike him far less than they dislike the man whose wealth came to him through no merit of his own, but merely by accident of birth. The American ideal is not, or is not yet, at least, one of equality of wealth, but of equality of opportunity. Americans, therefore, like to see the millionaire leave his wealth for public purposes, but dislike to see him leave it for the demoralization of his sons or for bartering his daughters to foreign noblemen. They also dislike to see the growing tendency among American millionaires to imitate the English system of primogeniture in order to insure the maintenance of the family name and fortune through future generations.

Of the various ways proposed for dealing with this problem, the best and simplest beginning can be made by increasing inheritance taxes. This will not, as some objectors have maintained, decrease in any important degree, if at all, the motive for accumulation. Most large fortunes are accumulated for the love of accumulation and not for the sake of leaving them to future generations. On the contrary, the ordinary normal, self-made American millionaire is rather disposed, I believe, to look on the inheritance of his millions by his children with some misgiving.

The problems which I have passed in review are problems which must be solved in order that America may continue to enjoy economic prosperity. They are the problems of insuring the peaceful pursuit of international commerce, of conserving the

natural resources from which wealth originates; of improving the human efficiency by which wealth is produced, and of preventing or mitigating the inequality in the distribution of wealth.

I have, of course, not named in this brief review all the economic problems of progress in American life. I have not even exhausted the list of important problems. Much less have I treated any one problem exhaustively or given complete solutions or attempted to give complete or convincing proof that my solutions are the best. The remedies I have suggested often amount to little more, in their initial stages at least, than palliatives, but most of them have the merit of being capable of adoption by gradual stages and of being carried farther if experience justifies the policy. This quality of elasticity is a political necessity in most reforms in a democracy. I am convinced that unless those of us who are conservative and would maintain, if possible, American institutions for future centuries do resolutely and steadily push forward toward these reforms, the alternative of neglect will bring an accumulation of pressure which some day will greatly weaken, if indeed it does not ruin, our beloved nation.

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